

TAG NEWS UPDATE

MARCH 2026

SALUTATIONS

Gulf Conflict Puts Pakistan's Economic Stability at Risk

The Gulf war has dealt a severe blow to Pakistan's energy security and inflation outlook at a time when the country was cautiously recovering from years of economic turbulence. Pakistan imports approximately **80%** of its energy from the Gulf, and the closure of the Strait of Hormuz along with attacks on oil and gas facilities have triggered a sharp energy crisis forcing authorities to close schools, introduce a four-day government working week, and slash fuel allowances for public sector employees. In direct response, the IMF and Pakistan jointly revised CPI-based inflation projections upward to **7.5% on average for 2025–26**, compared to the earlier Ministry of Finance estimate of around 6.1%. Pakistani officials have also warned of an acute risk of LNG shortages in the coming weeks if additional shipments are not secured, and a prolonged disruption in Gulf energy flows could push the country into a deeper balance-of-payments crisis.



Beyond energy costs, the war is threatening two of Pakistan's most vital economic lifelines remittances and foreign investment. Hundreds of thousands of Pakistani workers travel to the Gulf annually, and the ongoing crisis could prevent many of them from heading abroad this year while prompting others to return home early a serious blow given that remittances act as a vital cushion for financing imports and bolstering foreign-exchange reserves. On the investment front, the West Asia crisis has already caused Barrick Mining to announce delays to its flagship Reko Diq copper and gold project in Balochistan, potentially pushing back production timelines and expected contributions to the economy. Meanwhile, **GDP growth** is projected at **4.0% for FY2026 and 5.1% for FY2027** but only if the war ends early and the fuel supply chain is fully restored, leaving Pakistan's hard-won macroeconomic stability deeply contingent on how events in the Gulf unfold.

HONORABLE LAHORE HIGH COURT

MODES OF ASSESSMENT UNDER SECTION 122 OF THE INCOME TAX ORDINANCE

2001 (ITO) — (2026) 133 TAX 141

The Honourable Lahore High Court has rendered a landmark and binding ruling in **(2026) 133 Tax 141**, authoritatively settling the law on the Modes of Assessment and defining the strict sequence in which assessment and amendment powers must be exercised by the **Honorable Commissioner of Inland Revenue (IR)**, under the **Income Tax Ordinance, 2001**. The Court has defined three distinct modes and their interrelationship as follows:



→ MODE 1:

FIRST AMENDMENT

SECTION 122(1) [APPLICABLE TO ORIGINAL ASSESSMENT U/S 120(1)]

Section 122(1) is the only lawful first step allowing the Commissioner to amend a taxpayer's self-assessment under **Section 120(1)**, with no other provision applicable at this stage.

→ MODE 2:

FURTHER AMENDMENT

SECTION 122(5) [NOT APPLICABLE TO ORIGINAL ASSESSMENT U/S 120(1)]

The LHC ruled that **Section 122(5)** cannot directly amend a **Section 120(1)** assessment and applies only after amendment under **Section 122(1)**, making any bypass legally invalid.

→ MODE 3:

FURTHER AMENDMENT

SECTION 122(5A) [APPLICABLE TO AMENDED ASSESSMENT U/S 122]

Section 122(5A) allows further amendment only to an assessment already amended under **Section 122**, not directly to a **Section 120(1)** self-assessment.

RATIO DECIDEND

COURT'S RULING IN (2026) 133 TAX 141

"The only available assessment would be the revised/amended assessment, as the return already filed under **Section 120(1)** of the Ordinance loses its efficacy and becomes irrelevant to the extent of the omission/wrong statement. On the same analogy, the amended assessment order will be the only available assessment, which may be subjected to any further amendment in terms of sub-section (5A) of **Section 122** of the Ordinance."

Lahore High Court, (2026) 133 Tax 141

PRACTICAL IMPACT AND SIGNIFICANCE FOR TAXPAYERS

This ruling has far-reaching implications for all taxpayers whose original self-assessments under **Section 120(1)** are intact and have never been amended. The department cannot skip the mandatory sequence and directly invoke **Section 122(5) or Section 122(5A)** against such assessments. Any notice or order purportedly issued under **Section 122(5) or 122(5A)** without a prior valid amendment under **Section 122(1)** is without jurisdiction, void, and is liable to be struck down. Taxpayers who receive such notices are strongly advised to raise this jurisdictional objection at the earliest opportunity.

NOTE:

This LHC ruling in **(2026) 133 Tax 141** is binding on all subordinate courts and tax authorities within the jurisdiction of the Lahore High Court. Tax practitioners and taxpayers are advised to cite this judgment in all proceedings where the department attempts to invoke **Section 122(5) or 122(5A)** without fulfilling the mandatory pre-condition of a prior amendment under **Section 122(1)**.

LABOUR LAW UPDATES

1. Minimum Wage Update:

Punjab has officially increased **daily and monthly wage rates** for daily-wage workers across all skill levels. Monthly minimum wage is now effectively **PKR 40,000/-** with daily rates set for skilled (**Rs. 1,975/-**), semi-skilled (**Rs. 1,558/-**) and unskilled (**Rs. 1,538/-**) workers.

Enforcement measures and penalties for non-compliance are being strengthened, with active monitoring by labor inspectors and district authorities.



2. Punjab Labour Code:

The Government of Punjab notified **w.e.f 10.02.2026** on a **comprehensive Punjab Labour Code** which aims to consolidate multiple labour laws into a single legal framework. This reform is expected to simplify labour regulations and improve enforcement mechanisms.

3. Protection of Home-Based Workers:

Implementation of the **Punjab Home-Based Workers Act** continues. The law provides registration and protection for home-based workers, including access to social security benefits such as medical care, maternity benefits, and injury compensation.

TRADEMARK LAWS MARCH 2026

Recent judicial decisions in Pakistan have clarified several important principles under the **Trade Marks Ordinance, 2001** particularly regarding infringement prior use and jurisdiction of courts.

1. Prior User Prevails Over Registered Owner:

A recent High Court judgment reaffirmed that **prior use of a trademark has superior rights over mere registration**. The court held that if a party has been **continuously using a mark in business before another party registers it**, the earlier user can challenge the registered mark and seek relief. This principle reinforces the doctrine that **common-law rights of prior use may override statutory registration**.

SECP UPDATES

Sr. No.	Description	Remarks
1.	SECP Licenses Pakistan's First Provincial Government-Owned Life Insurer	The SECP has granted a license to M/s. Punjab Life Insurance Company Limited (PLIC) , marking the establishment of Pakistan's first provincial government-owned life insurance company .
2.	SECP Advances Pension Reform in Balochistan	The SECP has approved seven pension funds for the Government of Balochistan, marking the practical implementation of the Defined Contribution (DC) pension model in the province.
3.	SECP Opens Capital Markets to Partnership Businesses	The SECP has proposed amendments to the Public Offering Regulations, 2017 to enable companies that previously operated as AoPs, partnerships, and Limited Liability Partnerships (LLPs) to access Pakistan's capital markets.
4.	SECP Launches Digital UBO Registry to Enhance Corporate Transparency	The SECP has launched a digital Ultimate Beneficial Ownership (UBO) Registry to strengthen transparency in the corporate sector, improve regulatory oversight, and help prevent the misuse of companies for illegal activities .

PAKISTAN MACROECONOMIC DASHBOARD – 1Q/1HFY26

Indicator	Period	Value	Comparison
GDP Growth	1QFY26	3.71%	QFY25: 1.56%
SBP Foreign Reserves (USD mn	Dec 2025	15,915	
Policy Rate	Dec 2025	10.50%	Dec 2024: 13.00%
Consumer Price Index (CPI)	1HFY26	5.12%	1 HFY25: 7.22%
Current Account Balance (USD mn)	1HFY26	(1,174)	1, HFY25: 957
Remittances (USD Mn)	1HFY26	19,734	HFY25: 17,847 (+11%) Dec 2024: 11,732 (+36%)

ADDITIONAL PROVISIONS OF THE INCOME TAX ORDINANCE, 2001

Provisions of Sections 236C and 236K:

Advance provisions tax under **236C** [sale of immovable property] and **236K** [purchase of immovable property] shall be paid, where these taxes shall be adjustable against tax liability calculated under **Section 7F**.

Provisions of Section 153 [Withholding Tax]

An AOP registered as a builder or developer shall be a withholding agent from the very first day, irrespective of the turnover criteria of **Rs. 100 million** as provided for in **Subsection 7 of Section 153** of the **Income Tax Ordinance, 2001**.

Sr. No	Type of Vendor	Category	Rate for Active Filer [%]
1.	Individual/AOP	Goods	5.5%
2.	Company	Goods	5%
3.	Individual/AOP/Company	Services	15%
4.	Company	Contracts	7.5%
5.	Others	Contracts	8%

SOME COMMON EXEMPTIONS & REDUCED RATE

It is pertinent to note that, under **Clause 46AA(ix)** of **Part IV** of the **Second Schedule**, withholding shall not apply if payment is made to an **unregistered person** for **sand, bricks, grit, gravel, crushed stone, soft mud or clay**. Furthermore, the income withholding tax rate on **dealers, distributors, wholesalers, and retailers of cement** is **0.25%**.

Provisions of Section 147[5C]

The business being **AOP** will be duly required to comply with the provisions of **Section 147**. Quarterly Advance Income Tax shall be computed and paid thereafter. The taxes paid shall be adjustable against the year-end tax liability.

Every person deriving income from the business of construction and disposal of residential, commercial or other buildings or development and sale of residential, commercial or other plots for itself or otherwise, shall be liable to pay adjustable advance tax on Project-by-Project basis, as may be prescribed, for the tax year as per the rates specified in Part IIB of the First Schedule in four equal installments.

Distribution of profits among partners

Distribution of profits given to an individual shall be in the manner of a share of taxed profit from AOP, which shall be exempt from further taxation, under **section 92** of the Income **Tax Ordinance, 2001**.

NOTE:

It is assumed that the share of AOP is the only stream of income. In case of other streams of income, it will be added in total income for rate purposes only and 100% tax credit will be available on the share of the AOP portion only.

SALES TAX ACT, 1990 [IMPLICATION AT THE FEDERAL STAGE]

In view of the above implications, it is necessary to disclose the sales tax implications. It is pertinent to mention that the sale or purchase of immovable property is **not** a taxable supply under **Section 2(33)** of the Sales **Tax Act, 1990**. Merely because the immovable property is not considered a good traded for business.

IMPLICATIONS AT THE PROVINCIAL STAGE

PARTICULARS	PUNJAB
CONCERNED AUTHORITY	Punjab Revenue Authority [PRA]
RATE/PARAMETERS	<div>→ Rs. 100/Sq. Yards [land development]</div> <div>→ Rs. 50/Sq. Ft. [building construction]</div>
SCHEDULE REFERENCE	Second Schedule [Sr. 15]

APPLICATION FOR CREDIT AGAINST SALES TAX WITHHELD BY FTN HOLDERS

The Federal Board of Revenue (FBR) has introduced a valuable new feature in IRIS: **“Application for Credit Against Sales Tax Withheld by FTN Holders.”** This development enables taxpayers to formally claim credit for sales tax withheld under the **Eleventh Schedule of the Sales Tax Act, 1990**, bringing greater transparency and ease to the sales tax adjustment process.

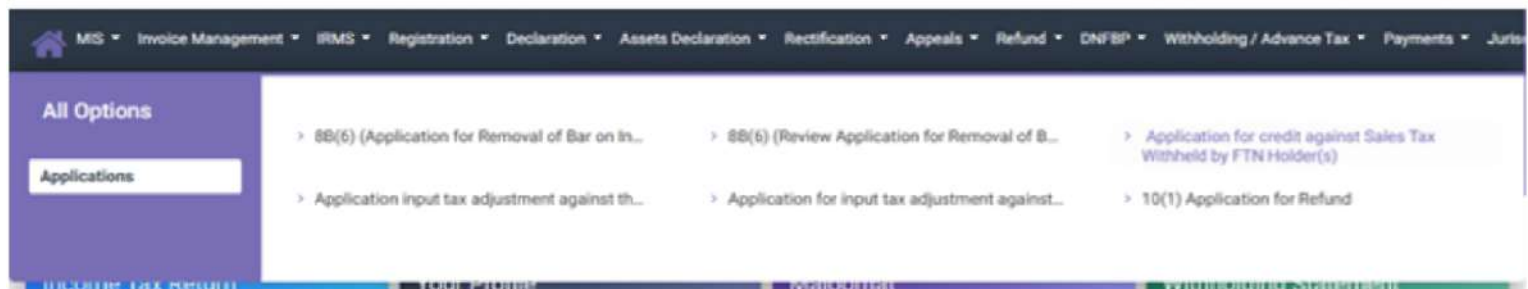
KEY HIGHLIGHTS OF THE NEW FEATURE

- Taxpayers can now formally apply for credit of withheld sales tax directly through the IRIS portal.
- Particularly beneficial for businesses dealing with **FTN (Filer Tax Number)** holders acting as withholding agents under the Eleventh Schedule.
- Helps avoid duplication of tax burden and ensures proper reconciliation of withheld amounts with the tax already paid.
- Strengthens documentation and improves compliance within the sales tax withholding regime.

FBR NOTIFICATION / CIRCULAR REFERENCE

This update has been communicated by the Federal Board of Revenue (**FBR**) through an official IRIS System Notification / Circular issued in **March 2026**. As this amendment pertains to a new digital feature within the IRIS portal (**rather than a legislative change to the Sales Tax Act, 1990**), FBR has notified taxpayers and tax professionals directly via the IRIS Portal and through FBR's official website and communications channels, without the issuance of a separate SRO. Taxpayers are advised to log in to their IRIS accounts and access the new application form under the Sales Tax module to avail this facility.

This initiative reflects FBR's continued efforts toward digitization, facilitation, and transparency in Pakistan's tax system. Tax professionals and businesses should take full advantage of this feature to streamline their sales tax credit claims and ensure timely adjustments of all withheld amounts.



DISCLAIMER

This summary is prepared specifically for the real estate industry and reflects the prevailing rules, regulations, and practices, including exemptions. It does not account for future changes, revisions, or updates to laws, policies, or market conditions that might amend the existing provisions, such as SROs, notifications, circulars, or any other means. Nevertheless, relevant regulations have been considered. Additionally, **AOP [Association of Persons]** is the only relevant corporate structure within the scope of this document.

Safder Muhammad

Fellow Chartered Accountant

A Fellow Member of the Institute of **Chartered Accountants of Pakistan (ICAP)**, has multi-faceted experience in the fields of **financial advisory, audit, tax and project management in worldwide**. He has been associated as a **Senior Partner** with Firms in **Pakistan since 2009**, which are among the few firms having foreign affiliations and multinational clientele collaboration . His professional experience spans over a period of “**two decades**”, and from the beginning of his career, he has been providing quality services to a wide range of clients.

He is the **founder** of **multiple businesses**, and due to his farsightedness and true leadership, those businesses have earned a huge respect in their respective domains.



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